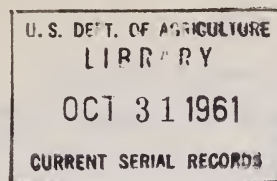


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# **THE DEMAND AND PRICE SITUATION**

**COMMODITY HIGHLIGHTS**

**GENERAL AGRICULTURAL SITUATION**

**FACTORS AFFECTING DEMAND FOR FARM PRODUCTS**

**FOREIGN DEVELOPMENTS**

**CURRENT COMMODITY SITUATION**

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AGRICULTURE**



## ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1960		1961			
		Year	Sept.	June	July	Aug.	Sept.
Industrial production, seasonally adj. <u>1/</u>	1957=100	108	107	110	112	113	112
Final products	do.	111	110	113	114	115	114
Consumer goods	do.	115	114	118	120	120	118
Autos	do.	117	119	109	110	110	82
Equipment, including defense	do.	103	103	102	104	105	106
Materials	do.	106	104	109	110	111	110
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	55,556	55,599	57,615	57,154	57,841	58,440
Public construction	Mil. dol.	15,953	16,283	16,878	15,863	16,658	17,052
Private residential	Mil. dol.	22,546	22,102	22,680	23,233	23,262	23,386
Housing starts, private only	Thousands	1,252	1,089	1,381	1,338	1,317	
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	30,417	30,090	30,900	31,160	31,590	
Durable goods	Mil. dol.	14,692	14,410	14,690	14,790	15,190	
Unfilled orders-sales ratio <u>4/</u>		3.17	3.10	2.91	2.95	2.89	
Inventory-sales ratio, total <u>5/</u>		1.77	1.82	1.73	1.72	1.71	
Durable goods		2.10	2.21	2.05	2.05	2.03	
Employment and wages: <u>6/</u>							
Total civilian employment	Millions	66.7	67.8	68.7	68.5	68.5	67.0
Nonagricultural	do.	61.0	61.2	62.0	62.0	62.2	61.4
Unemployment	do.	3.9	3.4	5.6	5.1	4.5	4.1
Workweek in manufacturing	Hours	39.7	39.6	40.1	40.0	40.1	39.6
Hourly earnings in manufacturing	Dollars	2.29	2.30	2.35	2.35	2.34	2.34
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	402.2	405.5	417.3	421.2	419.3	
Consumer credit outstanding <u>1/</u>	Mil. dol.	56,049	54,265	54,786	54,687	54,889	
Automobile	Mil. dol.	17,866	18,021	17,358	17,358	17,350	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,319	18,104	18,199	18,026	18,211	18,166
Durable goods	Mil. dol.	5,928	5,779	5,586	5,505	5,482	5,528
Inventory-sales ratio <u>5/</u>		1.39	1.40	1.35	1.37	1.35	
Prices: <u>6/</u>							
Wholesale prices, all commodities	1947-49=100	120	119	118	119	119	119
Commodities other than farm and food	do.	128	128	127	127	127	128
Farm products	do.	89	88	85	87	89	87
Foods processed	do.	103	108	107	108	108	108
Consumer price index, all items	do.	126	127	128	128	128	
Food	do.	120	120	121	122	121	
Prices received by farmers <u>7/</u>	1910-14=100	238	238	234	237	241	242
Crops	do.	221	222	231	232	229	229
Livestock and products	do.	253	251	236	241	251	252
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	299	298	300	300	301	301
Family living items	do.	290	289	290	290	290	291
Production items	do.	265	263	265	264	265	266
Parity ratio <u>7/</u>		80	80	78	79	80	80
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	133	156	120	131	141	148
Cash receipts from farm marketings	Mil. dol.	34,014	3,353	2,447	2,714	3,050	3,200

Annual data for most of the items for years 1929, 1941 and 1947-60 appear on page 41 of the April issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.  
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture, Agricultural Marketing Service.

THE DEMAND AND PRICE SITUATION

Approved by the Outlook and Situation Board, October 16, 1961

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## SUMMARY

Higher farm product prices and larger marketings of farm products than a year ago raised farmers' cash receipts from marketings in the first three quarters of 1961 almost 2 percent above the corresponding period a year earlier.

Farm output in 1961 is expected to be very close to last year's record level. A larger output of livestock and livestock products is expected to be slightly more than offset by a reduced output of crops due to the 1961 Feed Grain Program and early season drought. The smaller crop output will result in some easing in the burdensome stocks of feed grains and wheat, but the supply of food available to consumers will continue plentiful.

The continued advance in overall economic activity during the third quarter promises a strong market for agricultural products. The major support to the economic advance came from a rise in business investment and Government spending.

The book value of manufacturing and trade inventories rose \$600 million in July and August, compared to a \$400 million increase in the second quarter of this year. Plant and equipment spending, after declining from mid-1960 to mid-1961, is rising and is scheduled to continue to increase through the rest of this year. Consumer spending tended to lag in July-September, but a recent survey indicates a boost in consumer spending plans between the surveys taken in May and August.

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## COMMODITY HIGHLIGHTS

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Commercial beef production in August and September was running slightly above a year ago and will likely continue a little above for the fourth quarter, indicating a generally stable price picture for the rest of this year. Hog slaughter in September moved above a year ago and additional increases are expected in October and November. Hog prices are likely to work lower this fall than last fall.

Milk production per cow has moved further above the 1960 rate since May and production for the first 9 months, at 96.3 billion pounds, was 1.2 billion above a year ago.

Monthly egg production is likely to be larger than a year earlier into the spring of 1962 and prices will probably remain below last year through at least the first quarter of 1962. Broiler prices to growers at 11.7 cents per pound in mid-September were 4 cents below a year ago and the lowest mid-month price ever reported.

The 1961-62 wheat supply is down about 2 percent due to a smaller spring wheat crop, and the carryover on July 1, 1962, may be a little smaller than the 1.4 billion bushel carryover on July 1 of this year.

Feed grain prices probably will decline less this fall than in 1960, when they dropped 13 percent from September to November.

Soybean crushings totaled 405 million bushels in the marketing year ended September 30. Crushings to meet meal demand provided more oil than needed for domestic and export requirements and stocks of bean oil showed a steady buildup throughout 1960-61.

Prospective production of early, midseason, and Navel oranges in the 1961-62 season is 3 percent larger than in 1960-61 and 1 percent above the 1950-59 average.

Supplies of fresh vegetables for fall harvest may be slightly smaller than a year ago but a little above the 1950-59 average; smaller output of celery and early fall tomatoes is mostly responsible. Production of fall potatoes may be about a tenth above last year and the highest on record, resulting in depressed prices to growers.

Prices for cotton have increased over the past several months; in September the average 14 spot market price for Middling 1-inch cotton was 33.38 cents per pound compared with 30.14 cents in January.

The average price of the 1961 flue-cured tobacco crop is expected to be the highest on record. Prices for all auction sales through mid-October averaged 64.0 cents per pound, nearly 4 cents above the corresponding period last year.



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## GENERAL AGRICULTURAL SITUATION

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Farm product prices in recent months have continued above year-ago levels after dipping in spring and early summer. Prices for crops in the first three quarters of 1961 averaged almost  $2\frac{1}{2}$  percent above the same period in 1960, while livestock and livestock product prices averaged about unchanged. The higher level of prices received by farmers and larger marketings of farm products than a year ago raised cash receipts in the first three quarters of 1961 almost 2 percent above the corresponding quarters a year earlier. Farm output in 1961 is expected to be close to last year's record level. Output of livestock and livestock products will be up from a year ago while crop output will be down. As a result, some easing in the burdensome carryover of feed grains and wheat is expected.

Prices and Marketings Lead Year Ago

Prices received by farmers for the sale of farm products have advanced from the low for this year reached in June. At 242 percent of the 1910-14 average in mid-September, the index of prices received by farmers was 3 percent higher than in June and 1.7 percent above the level of a year ago. For the first three quarters of 1961, farm product prices averaged 1 percent higher than in the corresponding period in 1960, with prices for crops almost  $2\frac{1}{2}$  percent above the same period in 1960 and livestock and livestock product prices about unchanged.

During the same period, the volume of marketings of farm products was estimated to be somewhat more than 1 percent larger than in the January through September period of 1960. Crop marketings were down a little from a year ago but marketings of livestock and products were about  $2\frac{1}{2}$  percent larger.

January-September Cash Receipts Ahead of 1960

As a result of higher prices and a larger volume of marketings, cash receipts from marketings during the first three quarters of this year totaled almost 2 percent more than during the same three quarters of 1960. Livestock receipts totaled \$14.1 billion for these 9 months, a little more than 2 percent larger than a year earlier due to increased receipts for hogs, milk, and eggs. Receipts from marketings of crops totaled \$9.3 billion, about 1 percent more than a year ago. Higher prices for rice, sorghum grain, tobacco, peanuts, soybeans, oranges, apples and carrots resulted in substantial increases in cash receipts for these crops.

Cash receipts from marketings during September were tentatively estimated at \$3.2 billion. Livestock and product receipts were a little less than in September 1960, in great part due to lower receipts for broilers. Crop receipts were down from a year ago, as September hurricanes and side effects slowed marketings over much of the country.

Prices Paid Up Slightly

While cash receipts from marketings of farm products were higher than in the first nine months of 1960, prices paid by farmers for family living and production items, interest, taxes, and farm wage rates (the Parity Index) through mid-September averaged less than 1 percent higher than a year earlier. The Parity Ratio (Index of Prices Received by Farmers divided by the Parity Index) continues at about 79 to 80.

The sharpest increases in the Parity Index were for interest and taxes, payable per acre, both of which have trended steadily upward in the postwar period. Interest payable per acre in the first nine months of 1961 averaged almost three times the 1947-49 average and taxes payable per acre were a little more than double the 1947-49 average. Prices paid by farmers for production items and wage rates in the first three quarters of this year were a little above the same quarters of 1960. Prices paid for items used in living and production have moved sidewise since 1959, but average about 15 percent higher than in 1947-49. Wage rates for hired farm labor have advanced since the end of World War II, and are about 50 percent higher than in 1947-49.

Table 1.--Index numbers of prices paid by farmers,  
January-September average, 1960 and 1961

Item	January-September		Percentage change 1960-61
	1960	1961	
	<u>1910-14=100</u>	<u>1910-14=100</u>	<u>Percent</u>
Family living	290	290	0
Production	265	266	0.4
Feed	196	197	.5
Feeder livestock	359	359	0
Motor vehicles	422	416	-1.4
Farm machinery	382	390	2.1
Farm supplies	262	264	.8
Fertilizer	152	154	1.3
Seed	210	209	-.5
Interest	213	228	7.0
Taxes	534	578	8.2
Wage rates	637	643	.9
Parity Index <u>1/</u>	299	301	.7
Parity Ratio	79	79	---

1/ Prices paid for family living items, production items, interest, taxes, and farm wage rates.



Farm Output Almost Record

Despite a severe summer drought in parts of the country, hurricane damage to some crops in September, and acreage reductions under the 1961 Feed Grain Program, total output of farm products in 1961 is expected to be 26 percent larger than the average for 1947-49. Last year the index of output was 127 percent of the 1947-49 average. After a rapid increase in output in the mid-1950's, farm output since 1958 has advanced less than the growth in population but, nevertheless, to a record total in 1960. The halt to the increase in total output in 1961 is due to a reduction in crop output as production of livestock and livestock products is expected to be about 4 percent larger than in 1960.

Sharply reduced acreage planted to corn and sorghum grain under the 1961 Feed Grain Program resulted in an estimated 11 percent smaller production of feed grains, even though yields for both commodities are estimated to be at an alltime high. As a result of the smaller output, stocks of feed grains at the end of the 1961-62 crop year are expected to be down about 5 million tons from the 85 million tons on October 1 of this year, the first reduction in carryover since the 1952-53 crop year. Even with the reduced output, the supply of feed grains per animal unit will be around 15 percent larger than the average in 1955-59. Output of wheat is estimated to be one-tenth below the 1960 crop, largely due to drought damage to the spring wheat crop. Partly offsetting the reduced output of grains are prospective increases of 27 percent in soybean production, 16 percent in sugar crops, 11 percent in fall potatoes, and 3 percent in tobacco. Indicated cotton production is slightly larger than last year.

The expected 4 percent increase in output of livestock and livestock products in 1961 reflects larger poultry, milk and cattle marketings so far this year. Broiler output is expected to be about 10 to 12 percent more than in 1960 and turkey production, about 26 percent larger. Milk output is also expected to be up somewhat.

Agricultural Exports Large

In recent years an increasing share of our net farm output has been shipped overseas. In calendar 1961, about 16 percent of net farm output (less seed and feed use) is expected to be exported compared with about 13 percent in 1956. Agricultural exports were a record \$4.9 billion in fiscal year 1961 and \$4.7 billion in fiscal year 1957.

About one-third of the value of agricultural goods exported in the span from 1956-57 to 1960-61 was assisted through the Government-financed Public Law 480 and Mutual Security Act programs (table 3). The major means of financing under these programs was by sales for foreign currency under Title I of Public Law 480. Sales under Title I accounted for 55 percent of exports under these specified Government agricultural export programs and 18 percent of total agricultural exports. Wheat and wheat flour and cotton were the major commodities shipped under Government financed programs. They accounted for a little more than two-thirds of the \$1.5 billion of agricultural products exported under the specified Government financed programs in fiscal year 1960-61.

Table 2.--Farm production: Index numbers of total output, and gross production of crops and livestock, 1947-1961

Year	Farm output	Gross production	
		All crops <u>1/</u>	Livestock and livestock products <u>2/</u>
	<u>1947-49=100</u>	<u>1947-49=100</u>	<u>1947-49=100</u>
1947	95	93	100
1948	104	106	97
1949	101	101	103
1950	101	97	107
1951	104	99	112
1952	108	104	112
1953	109	103	114
1954	109	101	117
1955	113	105	120
1956	114	106	122
1957	114	106	121
1958	124	118	124
1959 <u>3/</u>	125	117	128
1960 <u>3/</u>	127	121	126
1961 <u>3/</u>	<u>4/126</u>	<u>4/117</u>	<u>4/131</u>

1/ Includes production of farm gardens, hay seeds, pasture seeds and cover-crop seeds as well as major crops.

2/ Excludes horses and mules. Includes clipped wool, mohair, honey, and beeswax, as well as major livestock and products.

3/ Basic data for livestock were revised on the basis of information from the 1959 Census of Agriculture and other data. Comparable revised data for crops are not yet available

4/ Preliminary.

Exports of agricultural products under P. L. 480 and Section 402 of the Mutual Security Act play a large role in the U. S. program of foreign aid. Agricultural exports under these special programs made up half of the total net nonmilitary assistance extended to foreign countries since 1955. For the 10 major recipients under P. L. 480 the proportion of net foreign aid deriving from agriculture averaged 75 percent during 1955-60. Net nonmilitary assistance includes loans (less principal repayments), net grants, and net short term assistance (which represents the transfer of U. S. farm products in exchange for foreign currencies, less the Government's disbursement of those currencies as grants, credits, or for purchases of goods and services).

Table 3.--U.S. agricultural exports under specified Government-financed programs, July-June 1956-57 through 1960-61 <sup>1/</sup>

Program	1956-57	1957-58	1958-59	1959-60	1960-61
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
Public Law 480:					
Title I, sales for foreign currency .....	909	659	725	825	932
Title II, disaster relief .....	88	92	56	65	146
Title III, donations .....	165	173	131	104	145
Title III, barter .....	401	100	132	153	145
Total Public Law 480 .....	1,563	1,024	1,044	1,147	1,368
Mutual Security, Secs. 402 and 550, sales for foreign currency and economic aid <sup>2/</sup> .....	394	227	210	167	186
Total exports under specified Government-financed programs .....	1,957	1,251	1,254	1,314	1,554
Total exports outside specified Government-financed programs <sup>3/</sup> .....	2,771	2,752	2,465	3,201	3,392
Total agricultural exports .....	4,728	4,003	3,719	4,515	4,946

<sup>1/</sup> Preliminary. <sup>2/</sup> Values shown are disbursements for exports. Actual liftings for 1955-56 were \$379 million; for 1956-57, \$364 million; for 1957-58, \$221 million; and for 1958-59, \$195 million.

<sup>3/</sup> Exports "outside specified Government programs" (sales for dollars) include, in addition to unassisted commercial transactions, shipments of some commodities with governmental assistance in the form of (1) extension of credit for relatively short periods, (2) sales of Government-owned commodities at less than domestic market prices, and (3) export payments in cash or in kind.



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FACTORS AFFECTING DEMAND FOR FARM PRODUCTS
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Economic activity continued to advance during the summer. Businessmen are building up their inventories as sales and new orders of manufacturers were the highest in 2 years. Capital spending by business picked up in July-September and the uptrend is expected to continue during the fourth quarter. Federal budget expenditures in July-August at \$14 billion were about \$1 billion above a year ago. Consumer spending has tended to lag behind the rise in incomes, but consumers' confidence and spending plans improved sharply during the summer according to a recent survey conducted by the University of Michigan's Survey Research Center.

Construction outlays advanced 1 percent in September to an annual rate of \$58.4 billion, 5 percent above a year ago. Costs have increased about 1 percent in the past year, indicating about a 4 percent increase in physical volume. In recent months most of the rise in outlays has been concentrated in private residential activity, although commercial building and public utility outlays have gained moderately.

During July and August, with rising demand in the private business and Government sectors, inventory investment rose rapidly among manufacturing firms. In July the gain in stocks was about \$200 million and in August, \$450 million. Practically all the rise in inventory was among durable goods firms. Trade inventories changed little in the summer as retail sales lagged, holding close to second quarter levels. During August, inventories of retail firms declined about \$200 million, due to smaller stocks of new cars which on August 31 were more than 200,000 units below a year ago. The total rise in the book values of manufacturing and trade stocks in July and August totaled \$600 million compared to a rise of \$400 million in the second quarter and a \$1.4 billion reduction in the first quarter of 1961.

New orders placed with manufacturers continued to advance in August and, at \$32.1 billion, were up 3 percent from July and 6 percent above a year ago. Gains between July and August were largest among durable goods firms, especially aircraft and electrical machinery industries which were benefiting from defense business. But, new business also increased among iron and steel, fabricated metal products and building materials suppliers. Manufacturers' sales in August were about 5 percent above a year ago.

Production movements also reflected the improved new orders and sales. The Federal Reserve Board's index at 113 percent of the 1957 average in August was 5 percent above a year ago. Production in July and August, after seasonal adjustment, registered more moderate gains than last spring. After a dip, steel production recovered in September, averaging 2,077,000 tons per week compared to 1,954,000 in August and 1,509,000 a year ago. Auto production in August was affected by earlier model changeovers and in September labor disputes reduced production materially.

Table 4.--Selected economic series, August 1960 and February and August 1961

Item	Unit	1960		1961		Percentage change	
		Aug.		Feb.		Aug. 1960: Feb. 1961	
				Aug.		to	
						Aug. 1961: Aug. 1961	
Personal income <sup>1/</sup>	Bil. dol.	405.2	403.1	419.3	Percent	3.5	Percent
Employment: <sup>2/</sup>							4.0
Total nonfarm	Millions	53.0	52.0	53.1		.2	2.1
Manufacturing	Millions	16.3	15.5	16.0		-1.8	3.2
Industrial production: <sup>2/</sup>							
Total	1957=100	108	102	113		4.6	10.8
Durable	1957=100	104	94	108		3.8	14.9
Nondurable	1957=100	115	111	119		3.5	7.2
Retail sales <sup>2/</sup>							
Durable goods	Bil. dol.	18.2	17.8	18.2		0	2.2
Automotive group	Bil. dol.	5.8	5.3	5.5		-5.2	3.8
Nondurable goods	Bil. dol.	3.2	2.9	2.9		-9.4	0
Food group	Bil. dol.	12.4	12.4	12.6		1.6	1.6
	Bil. dol.	4.5	4.6	4.7		4.4	2.2
Consumer prices:							
All items	1947-49=100	126.6	127.5	128.0		1.1	.4
Food	1947-49=100	120.0	121.4	121.2		.9	-.2
Wholesale prices:							
All items other than farm and food	1947-49=100	128.2	128.1	127.4		-.6	-.5
Prices paid by farmers for family living items	1910-14=100	290	291	290		0	-.3

<sup>1/</sup> Seasonally adjusted at annual rates.<sup>2/</sup> Seasonally adjusted.

Departments of Agriculture, Commerce and Labor and the Federal Reserve Board.

Retail sales increased slightly between the second and third quarters of 1961. Retail sales usually tend to lag behind the rise in income during early stages of recovery periods, but a survey conducted by the University of Michigan's Survey Research Center in August indicates a sharp improvement in consumers' confidence since the May survey. Consumer plans for purchasing household goods and cars are near the 1955-56 peak. The proportion of families who may buy a house during the next 12 months is slightly higher than August 1960, but below the mid-1959 figure.

Retail sales in July-September at \$18.1 billion averaged less than 1 percent above April-June and about the same as a year ago. Durable goods store sales averaged about the same between the second and third quarters but about 5 percent below a year ago. Auto sales were low in September, in part associated with the model changeovers. Appliance and furniture store sales advanced during the summer but were 1.1 percent above a year ago in July-September. Nondurable goods store sales advanced moderately in the summer and in July-September at \$12.6 billion averaged 1.0 percent above the previous quarter and 1.6 percent above a year ago.

Consumer installment credit outstanding, after seasonal adjustment, declined over \$300 million in the first 8 months of 1961 in comparison to an increase of \$2.9 billion a year earlier. The low level of durable goods sales, particularly autos, has accounted for the drop in credit outstanding this year.

Prices paid for family living items at 291 (1910-14=100) during the month ended September 15 rose 1 point, equaling the previous record. The index was 2 points (less than 1 percent) above a year earlier. Urban consumer prices at 128 (1947-49=100) in early August were slightly below July but 1.1 percent above a year ago. Food prices were up close to 1 percent above August 1960, with the gain in all other commodities about one half of one percent. The cost of services in August was nearly 2 percent higher than a year ago.

The number of workers on nonfarm payrolls at 53.4 million, seasonally adjusted, in September was about the same as August but 200,000 above a year ago. Since February nonfarm jobs have increased 1.2 million. The expected pickup in auto employment was not realized because of strikes at plants of General Motors. In addition, the strike resulted in a drop in average weekly hours from 40.0 in August to 39.3 in September, seasonally adjusted, and average weekly earnings dropped more than a dollar to \$92.66.

Total employment (including farm workers, self-employed and unpaid family workers) declined more than seasonally in September mainly because hurricane Carla curtailed outside jobs during the week the survey was taken. The civilian labor force declined in September as large numbers of young people left the work force to return to school. Unemployment, as a result, changed about seasonally between August and September with the unemployment rate of 6.8 percent of the civilian labor force about the same as the level of the last seven months.



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## CURRENT COMMODITY SITUATION

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Livestock and Livestock ProductsMeat Animals

The number of cattle slaughtered commercially for August was 1 percent below a year ago. However, due to a heavier average dressed weight per animal slaughtered, beef production for the month exceeded last August by 3 percent. The increased dressed weight resulted from heavier average weights for steers and heifers slaughtered plus a smaller proportion of cows in total slaughter.

Based on preliminary estimates, the number of cattle slaughtered commercially this September was approximately 6 percent below a year earlier. Part of this decrease was due to 1 less slaughtering day this September. However, after adjusting for the number of slaughtering days, commercial slaughter was still 1 percent below last September.

Cow slaughter increased seasonally from July to August but remained 13 percent below a year ago. Strong prices for slaughter cows in September, along with an increase in the wholesale price of deboned canner and cutter cow beef, would suggest that cow slaughter in September continued significantly below year-earlier levels.

Total number of cattle slaughtered commercially during the fourth quarter is expected to run slightly below last year, mainly as a result of decreased cow slaughter, but heavier carcass weights are expected to result in total beef production exceeding the fourth quarter a year ago by some 2 percent. Increased supplies of turkeys in this quarter as well as increased hog slaughter will present additional competition to beef but, in general, a steady price picture appears in the offing.

Hog slaughter not only turned up seasonally in September but moved above year-earlier levels as well, thus reflecting the larger 1961 spring pig crop. An additional increase in slaughter can be expected through November with market supplies showing a greater tendency to move above year-earlier levels.

The upturn in hog slaughter was accompanied by slightly lower prices for barrows and gilts. The average price paid at 8 Corn-Belt markets the last week of September was \$18.04 per hundredweight, 43 cents below the August ending price. As a result of the lower price for slaughter hogs, the hog-corn ratio dropped from 16.6 to 16.4. Hog prices worked lower during October, with increased weakness likely in November. Prices are expected to average somewhat below the \$16.60 per hundredweight received by farmers last November.

The weekly rate of sheep and lamb slaughter increased seasonally from August to September. The high level of lamb slaughter this summer has more than accounted for the increase in the size of this year's lamb crop over 1960 so that there will be a decrease in the inventory of lambs. This will be reflected mainly in stock sheep, and to a lesser extent in the number of lambs on feed. Sheep and lamb slaughter this fall is not expected to equal the high level of a year ago and some improvement in prices is expected.

Dairy Products

Milk production per cow since May has moved further above the 1960 rate. Usually, year-to-year gains in output per cow are dampened when farmers reduce their rate of culling as they have been doing this year. But the downward effect of less rigorous culling has been far overshadowed by two other developments: (1) Above average pasture conditions; and (2) a sharp increase in the quantities of concentrates fed to milk cows.

Milk-feed price relationships have been at or near historic highs since the beginning of the year. Heavier feeding on the part of farmers is largely in response to these favorable relationships, but it also reflects the continuing improvements in the general level of management on dairy farms.

Nearly all of the step-up in milk output per cow, beginning in July, has been reflected in higher total milk production. From January through May, total milk production was 1 percent larger than for the same period last year. In June and July, milk production was larger than in 1960 by 2 percent and in August and September by 3 percent. For the first 9 months, 96.4 billion pounds of milk were produced, 1.3 billion pounds more than a year ago. Total output for 1961 as a whole will be close to the 1956 record of 124.9 billion pounds or about 2 billion pounds above the 122.9 billion pounds of 1960.

A significant decline in consumption channeled through commercial sources has also been a major influence shaping the dairy situation this year. Reduced use of fluid milk and butter, in particular, from the private sector of the market has led to substantially higher purchases by the CCC for price support than a year ago. Purchases through September have been equivalent to 6.3 billion pounds of milk (fat solids basis), more than twice as much as in the same period of 1960. In all of calendar 1961, the Government may remove from the market as much as 6 percent of total production, compared with less than 3 percent in the two preceding years.

Cheese has been the only bright spot in the consumption picture this year. American cheese consumption per capita has been running about 6 percent higher than a year ago. Use of other cheese also appears to be higher. The per capita use of ice cream and evaporated milk is averaging below the 1960 rate.

Despite the decline in use from commercial sources, the milk equivalent of total civilian consumption of dairy products this year may approximate the 1960 level because of larger distributions from CCC supplies. Butter donations will continue much above a year ago for the rest of the year, and cheese donations will be sharply increased. Only negligible quantities of cheese were distributed in the first half.

The price received by farmers in September for all wholesale milk rose seasonally to \$4.35 per hundredweight, 18 cents higher than in August but 7 cents less than September a year ago. This was the first month in 1961 that the all milk price has been below the 1960 level. Last year this price increased much more than seasonally between August and September, reflecting a sharp rise in the price of manufacturing milk. Manufacturing milk prices leaped



substantially above the support level in September 1960 because of an unusually strong demand for milk for cheese making. With September 1 commercial inventories of cheese substantially larger than a year ago, and with much larger supplies of milk available for manufacturing, no special price strength is likely in manufacturing milk this fall. As a result, manufacturing milk prices adjusted for fat test will likely average close to the current support level of \$3.40 per hundredweight, or about the same as in 1960. The support price through September 16, 1960, was \$3.06 per hundredweight; it was raised to \$3.22 on September 17. The price of milk distributed in fluid form during the same period may also be about the same or slightly lower. And with a larger proportion of total production utilized in lower-valued manufactured products, the price received by farmers for all wholesale milk will probably continue below 1960 for the remainder of the year.

### Poultry and Eggs

Wholesale egg prices turned upward in the last two weeks of September, in many cases reaching the highest levels so far this fall. Early in October there was some price reaction. Although additional price fluctuations will probably occur this fall, prices are expected to average within the range of August-September. In mid-September, prices received by farmers averaged 35.4 cents per dozen, up 1.4 cents from the preceding month, but down 3.6 cents from September 1960. Prices in early October remained below last year. Production now is near its seasonal low point.

The January-April hatch of replacement chicks was up 19 percent from a year earlier. These pullets were part of the October 1 laying flock, which was 5.5 million larger than last year's flock. October 1 numbers of pullets not of laying age, however, were down 6.7 million from 1960, due to cut-backs in May and June hatches of replacement chicks. Subsequent additions to the laying flock during the fall, therefore, will not likely increase further layer numbers compared with last year. In the first 3 or 4 months of 1962, the laying flock is likely to be only slightly, if any, larger than the year before. Rate of lay per bird is expected to exceed year ago levels during the fall and winter months. On balance, these factors are likely to hold monthly egg production above a year earlier into the spring of 1962. Prices of eggs through at least the first quarter of 1962 are expected to remain below a year earlier.

Low prices continue to plague the broiler market. The mid-September U. S. average price at 11.7 cents per pound was 1.3 cents below the mid-August price, 4 cents below last September, and the lowest mid-month price ever reported. The prospect for significant price increases before the end of the year is slight, since the volume of marketings through November and into December will continue close to last year. September placements of broiler chicks in 22 important States were seasonally smaller than month-earlier placements, but remained above September 1960. Settings of broiler hatching eggs in these 22 States, however, declined steadily throughout September and during the week ending September 30 were 7 percent below the corresponding week a year earlier. These cutbacks in settings will affect marketings of broilers in December.



USDA purchases of broilers for the National School Lunch Program began August 3, and by October 12 reached a total of almost 22 million pounds of ready-to-cook broilers. In August and September, these purchases were about 2 percent of total broilers produced during those months.

The crop of 107 million turkeys raised this year is 26 percent larger than last year's record. Mid-September prices received by farmers at 18.4 cents were down 1.4 cents from a month earlier, 6 cents from September 1960, and the lowest since 1941. In the second week of October, Iowa prices of 14 cents per pound for toms and 16 cents per pound for hens, were about 10 cents per pound below last year. Prices during the remainder of the year will continue to reflect the burdensome supply. Storage holdings by October 1 had increased to 268 million pounds, 82 million pounds more than a year earlier. Government purchases of frozen-ready to cook turkeys under the 1961 surplus removal program totaled 57 million pounds by October 13 and 38 million pounds more than total 1960 purchases.

### Wool

World wool prices have declined moderately since the opening of the 1961-62 marketing season in Australia in late August and in the Republic of South Africa in September. Japan and Western Europe have been the principal buyers in Australia; Western Europe, in South Africa. The market has been slightly firmer in South Africa than in Australia, due to the partial withdrawal of Japan from sales in Australia because of foreign exchange difficulties.

Domestic prices have remained relatively stable at August levels and have not declined as have world prices because the bulk of this season's clip already has been marketed. The mid-September average price received by wool growers was 41.0 cents per pound, grease basis, compared with 39.3 cents for September 1960 and 41.2 cents for August 1961.

U.S. mill consumption of apparel wool during the first 8 months of 1961 amounted to 169.1 million pounds, scoured basis, 1 percent less than the same period a year earlier. The seasonally adjusted average weekly rate of mill use in August 1961 was 6 percent above the rate in July 1961 and 10 percent more than the rate in August 1960. Mill use of carpet wool during the first 8 months of 1961 totaled 91.7 million pounds, scoured basis, 16 percent less than a year earlier. The seasonally adjusted average weekly rate of mill use in August 1961 was 5 percent less than in July 1961 and 7 percent less than in August 1960.

Domestic production of woolen and worsted woven fabric (except felt) during the second quarter of 1961 amounted to 77.3 million linear yards, 4 percent less than the second quarter of 1960 and 23 percent more than first quarter of 1961. Output for the first 6 months of 1961 totaled 140.2 million linear yards, 9 percent less than the first half of 1960. Woven felt production during April-June 1961 totaled 2.3 million pounds, same as second quarter of 1960 and slightly above the 2.0 million pounds of the first quarter of 1961.

CropsWheat

Market prices of wheat are near their high for the marketing year to date and generally above the effective support level. The price of No. 1 Soft White at Portland on October 16 was 19 cents above the effective support; No. 1 Dark Northern Spring, ordinary protein, at Minneapolis, 17 cents above; No. 2 Hard Red Winter, ordinary protein, at Kansas City, 3 cents above and No. 2 Soft Red Winter at St. Louis just at the support level.

Prices on October 16 were above a year earlier for dominant classes and grades as follows: Hard amber durum, \$1.20; hard red spring, 18 cents; soft white, 10 cents and hard red winter, 9 cents.

The strength in prices this year reflects tight holding of wheat by farmers, influenced by the 21-cent higher support rate for 1962 wheat and the all-time record exports. With supplies of durum sharply below requirements, the price of this class of wheat continues very high.

The October 1 estimate of 1961 wheat production of 1,211 million bushels is only one million bushels higher than the previous estimate as of September 1. The total wheat supply for the marketing year which began July 1, 1961 is now estimated at 2,626 million bushels, 2 percent below the record of 2,672 million a year earlier. The carryover July 1, 1961, totaled 1,407 million bushels and imports in 1961-62 may total about the same as the 8 million last year.

Total disappearance for 1961-62 is estimated at 1,266 million bushels. Of this, domestic disappearance is figured at about 591 million bushels, slightly below last year principally because of reduced use of wheat for seed and possibly feed. Exports are estimated at 675 million bushels, slightly above the record 662 million in 1960-61.

On this basis, the total wheat carryover on July 1, 1962 would be about 1,360 million bushels, about 50 million below July 1, 1961. The decline in stocks would be the first since 1958, when the carryover was only about two-thirds of the projected July 1, 1962 carryover.

Feed Grains

The total supply of feed grains and other concentrates is estimated on the basis of October conditions at 253 million tons, 3 percent below the record supply last year. This includes the smaller 1961 crop, a record carryover of feed grains, and a larger supply of byproduct feeds. Feed grain production, based on October 1 indications, will total 137 million tons, 17 million tons or 11 percent, below the record output in 1960, but slightly above the 1955-59 average. The crop is not down as much as the 16 percent reduction in feed grain acreage, because yield per acre rose 6 percent. The 1961 crop probably will be a little below total 1961-62 utilization, resulting in a moderate reduction in carryover during 1961-62.



The 1961 corn crop was estimated in October at 3,527 million bushels, about 364 million less than in 1960. The 1961-62 supply, totaling a little over 5.5 billion bushels, is slightly smaller than in 1960-61, but nearly a billion bushels above the 1955-59 average. The sorghum grain supply of nearly 1.2 billion bushels is about equal to last year's supply. The oat supply is down 7 percent from last year, and the barley supply 9 percent.

Feed grain prices probably will decline less this fall than in 1960, when they dropped 13 percent from September to November. Prices received by farmers for corn in mid-September averaged \$1.04 per bushel, 2 cents lower than a year earlier, and 16 cents below the 1961 national average support price of \$1.20 per bushel. Prices of oats, barley, and sorghum grain were all higher in September than a year earlier, and the index of prices received for the 4 feed grains was 3 percent higher. Oats and barley were slightly above the 1961 support, while the average price received for sorghum grains of \$1.65 per cwt. was 28 cents below the support rate. Prices of these three grains are expected to continue above the 1960-61 level this fall and winter. Larger quantities of these grains have gone under price support this summer than in the same period of 1960.

#### Oilseeds, Fats and Oils

Soybean crushings during the 1960-61 marketing year ended September 30 are placed at a record 405 million bushels. Crushings in the past three marketing years have been relatively stable at around the 400 million bushel mark. The 1960-61 record crushing was stimulated by a new high in the domestic disappearance of soybean oil, the heavy feeding of soybean meal, and large exports of soybean oil even though they fell short of the previous two years. Crushings to meet meal demand provided more oil than needed for domestic and export requirements and stocks of bean oil showed a steady buildup throughout the 1960-61 marketing year. This situation resulted in a very small carryover of 1960 crop soybeans (estimated at about 5 million bushels) on October 1, 1961, but a record carryover of soybean oil (estimated at around 700 million pounds compared with 308 million pounds a year earlier).

Exports of soybeans during 1960-61 totaled 130 million bushels (September estimated) compared with the record 141 million the previous year. A strong domestic demand as well as an increased export demand for U. S. soybeans because of the scarcity of offerings from Red China, resulted in a sharp advance in soybean prices, subsequently reducing exports below the year earlier level.

Last season, under the stimulus of record disappearance, prices received by farmers for 1960 crop soybeans advanced sharply from \$1.94 per bushel in October 1960 to a seasonal peak of \$3.02 in April, then declined sharply to \$2.24 in September 1961. This was the greatest seasonal variation in bean prices since the 1955-56 marketing year. The spectacular rise in soybean prices came after most of the 1960 soybean crop had left the farmer's hand--over half of the 1960 crop had moved from farms at less than \$2.00 per bushel.



Soybean supplies in the 1961-62 marketing year are placed at 715 million bushels, up 133 million from the year before. An increase in supply this large is greater than can readily be absorbed by the expanding soybean market outlets during 1961-62 and a buildup in carryover stocks by October 1, 1962, will occur. Stocks by that date probably will be somewhat above the record 62 million bushels of October 1, 1959.

The bean crush for oil and meal in 1961-62 is expected to be 5 percent above the record 405 million bushels last year. A factor limiting the crush will be the record carryover of soybean oil on October 1, 1961--estimated at the bean equivalent of around 65 million bushels. On the other hand, the Food-for-Peace Program will require more edible oils during 1961-62 (450 million pounds of edible oils scheduled so far for donation to needy persons abroad) and this will stimulate soybean crushings.

Soybean exports are also likely to set a new record in 1961-62--perhaps up around one-third from the 130 million bushels now estimated for 1960-61. Major importing areas, such as Western Europe and Japan, will continue to need large imports of U. S. oilseeds and/or oilseed products; and exportable supplies of soybeans from Red China are likely to continue small.

Local market prices declined seasonally early this fall as marketings of 1961 crop soybeans increased in volume. Prices to farmers during the heavy soybean harvesting season are likely to dip a little under the national average support rate of \$2.30 per bushel (No. 2 soybeans). But, prices received by farmers may still average about 10 percent above the \$1.96 per bushel received during October-December 1960, as the price supports tend to place a floor under the market. After the heavy harvest period, prices to farmers likely will return to the loan level, and advance seasonally to reflect storage charges. The CCC probably will take over a substantial amount of 1961 crop soybeans on June 1, 1962, and its minimum resale price will be the 1961 county support rate for No. 2 soybeans plus  $16\frac{1}{2}$  cents per bushel during the summer. The CCC sales price will tend to place a ceiling on the market at that time as soybean crushers and exporters will be able to turn to the Government for supplies to meet commitments for the remainder of the marketing year.

### Fruit

Prospective production of early, mid-season, and Navel oranges (excluding tangerines) in the 1961-62 season is about 3 percent larger than the reduced 1960-61 crop and 1 percent larger than the 1950-59 average. In California and Texas, production is expected to be moderately smaller than in 1960-61. But moderate to large increases are in prospect in Florida, Arizona, and Louisiana. In Florida, a large increase in tangelos, but a heavy decrease in tangerines, is expected.

The 1961-62 crop of grapefruit, excluding the California summer crop, is expected to be about 8 percent larger than production in 1960-61 and 9 percent above average. Moderate increases in Florida, Arizona, and California, but a small decrease in Texas, are in prospect. The current estimates for both oranges and grapefruit reflect some loss of oranges and grapefruit in Texas caused by hurricane Carla in September.

Market movement of new crop Florida oranges and grapefruit started the season at about the usual time in September in contrast to delayed movement a year ago when hurricane Donna blew to the ground some of the early ripening fruit and warm weather retarded maturity. Season-opening prices for Florida oranges and grapefruit on the principal auctions averaged moderately lower this fall than a year earlier.

Because of the larger early-season supplies of Florida citrus this fall, processing should get underway somewhat earlier than it did last fall. Packers' stocks of frozen orange concentrate continue larger than a year ago, and the carryover is expected to be up moderately as the new season for freezing starts later in the fall.

Growing conditions continued generally favorable in September for deciduous fruits for which harvest extends into fall, with the result that total production of deciduous fruits this year is now expected to be about 9 percent larger than last year and 10 percent above average. In early October, shipping-point prices for such fruits as apples and pears, of which production is up this year, tended to average somewhat below the relatively high levels of a year earlier. But prices for grapes generally averaged above.

#### Commercial Vegetables

Fresh Market--Early October estimates indicate that total supplies of vegetables for fall harvest are slightly smaller than last year, but slightly above the 1950-59 average. Most of the decline in production is due to substantially smaller production of celery and early fall tomatoes. Also contributing to the lower output is slightly less cabbage and moderately to substantially less carrots, cauliflower, broccoli, Brussel sprouts, and green peppers. On the other hand, output is expected to be larger for snap beans, lettuce, sweet corn and eggplant.

Processing--Supplies of canned vegetables available during the current season appear to be moderately larger than those of a year ago, and substantially above the recent 10-year average. With the exception of green peas, supplies of most major canned items are expected to be as large or larger than a year ago. Frozen vegetables are also in larger supply. October 1 stocks of frozen vegetables at 1,250 million pounds were materially larger than a year ago, and 36 percent above the 1956-60 average.

Distributor demand for most important canned and frozen vegetables has been routine during the early part of the season with buyers generally waiting for the market to adjust to a new crop basis.

#### Potatoes and Sweetpotatoes

Production of fall potatoes at 194 million hundredweight, is a tenth larger than last year, and the highest of record. Most of the increased production is in the 9 Western States. Production in the 9 Central States is down slightly, while output in the 8 Eastern States is up slightly. Heavy supplies are resulting in depressed prices to growers.



On September 8, the Department of Agriculture announced a program to assist growers in marketing the large fall potato crop by encouraging diversion of lower quality potatoes to starch, flour, and livestock feed. Though the program will help in moving the large crop, prices this fall are expected to continue below those of last fall.

Supplies of sweetpotatoes promise to be slightly smaller than a year earlier, and a fifth below the 1950-59 average. Prices for the season are expected to average a little higher than a year ago.

#### Dry Beans and Peas

Supplies of dry beans are moderately larger than a year ago. Supplies of both white (particularly pea beans) and colored classes of beans are larger. Domestic demand for beans in the current season likely will be near the same level as last season. But with some increase expected in exports under P.L. 480 Programs, total exports are likely to be larger than the low level of the previous season. With significantly higher support levels for 1961 crop beans, prices to growers are likely to average above those of last year.

Moderately smaller supplies of dry peas are available for distribution than last season. Moderately larger production was more than offset by considerably smaller stocks at the beginning of the season. With crop prospects down in several European countries, foreign demand is likely to continue strong. Prices to growers are expected to be somewhat above those of last year.

#### Cotton

U.S. exports of cotton in August 1961 at 644,500 bales were the largest quantity exported in any August on record, and compare with 113,400 bales in the same month a year earlier. The large August exports reflect the increase in the export subsidy rate that was effective on August 1. Prior to that date, the export payment rate was 6 cents per pound, but with the start of the 1961-62 marketing year the export subsidy rate increased to 8.5 cents per pound. Many exporters purchased cotton before August 1, committed it for shipment after that date, and received the larger export subsidy of this sales and delivery practice. The purchase of the cotton was, of course, made before the present higher price support levels became effective. In the spring of 1961, shippers found that they could buy the cotton under the lower price support level, carry it to August 1, ship it under the higher export subsidy, and still be able to sell it cheaper than they could sell cotton for immediate delivery for export.

Prices for cotton have increased steadily over the past several months, reflecting the higher support level for 1961 crop cotton. The average 14 spot market price for Middling 1-inch cotton in January 1961 was 30.14 cents per pound--the lowest average monthly price of the 1960-61 season. The average price increased every month subsequent to January and in September averaged 33.38 cents per pound. On October 13, the average 14 spot market price for Middling 1-inch cotton was 33.60 cents per pound, a year earlier the price



was 30.21 cents per pound. The average price received by farmers in mid-September was 32.76 cents per pound and compares with 32.64 cents per pound a month earlier. The price received by farmers also has increased since early in 1961. In February the average price received by farmers for upland cotton was 26.91 cents per pound and it has increased each month since then.

The average daily rate of cotton consumption by U. S. mills on a seasonally adjusted basis reached a low of 30,138 bales in February 1961. Since that time, the rate has tended to increase each month and in August was 33,700 bales.

The stock-unfilled order ratio for cotton broadwoven goods at mills began to decline again in July 1961, after stabilizing at a level of between 0.48 and 0.50 from March through June. By the end of August, this ratio on a seasonally adjusted basis was down to 0.39, only 1 point above the ratio for the same month a year earlier. The decline in the ratio indicates continued strength in the rate of cotton consumption over the next several months.

The 1961 cotton crop was estimated at 14.3 million running bales as of October 1, 1961. This was slightly above the crop of last year and was produced on more acreage. The average yield per acre was about 6 pounds lower. Disappearance is currently estimated at about 14.5 million bales and the carry-over on August 1, 1962, probably will be about the same as the 7.2 million bales of 1961.

### Tobacco

Around 85 percent of the 1961 flue-cured crop had been marketed by mid-October. Prices for all auction sales through that date averaged 64.0 cents per pound--nearly 4 cents higher than in the corresponding sales period last year. The average price for the season as a whole is expected to be the highest on record. About 4.8 percent of the total market deliveries was placed under Government loan, compared with 3.3 percent in the corresponding sales period of 1960. The support level for 1961 flue-cured is 55½ cents per pound, the same as for the two previous crops.

Marketings of most other types will begin late this fall or during the winter. Overall support levels for the 1961 crops of the eligible types are the same as in 1960. The 1961 support level for burley is 57.2 cents a pound, and for Maryland, 50.8 cents. For the 1961 fire-cured types, the support level is 38.8 cents, and for dark air-cured and sun-cured, 34½ cents. Support levels for the eligible cigar types range from 23.4 cents for Ohio filler to 39.6 cents for the Connecticut Valley binder types.

Carryover stocks of flue-cured, burley and some of the other kinds of tobacco at the beginning of 1961-62 are lower than a year earlier, but 1961 production of all types combined is indicated to be 3 percent above last year's outturn. Of the two major kinds, the total 1961-62 supply of flue-cured may be almost the same as for 1960-61, but the total supply of burley seems likely to be down about 1 percent.

Consumption of tobacco products in 1961, except chewing tobacco and snuff, is expected to top 1960. Cigarette output and consumption this year will reach new highs, and cigar and cigarillo consumption combined probably will be the largest since 1923. Consumption of smoking tobacco may be up about 2 percent over 1960, but that of chewing and snuff is likely to be a little lower.

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